



# Kansas Department of Credit Unions

## KDCU Newsletter

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### CREDIT UNION CHALLENGES IN 2014

Credit unions encounter a variety of challenges while conducting normal business. KDCU financial examiners during credit union examinations cite safety, soundness and regulatory issues in their examination reports. This article is a summary of some of the issues cited in examination reports, through discussions with examiners and credit union leaders and recent regulatory changes. Due to space limitations, complete statutory and regulatory references are not included. For more information contact your assigned financial examiner, the KDCU office or go to the KDCU web site at [www.kansas.gov/kdcu/](http://www.kansas.gov/kdcu/), [www.consumerfinance.gov/](http://www.consumerfinance.gov/)

or [ncua.gov](http://ncua.gov).

#### Succession Planning

With the baby boomer generation reaching retirement age, there is a large and significant number of Kansas credit union key personnel planning on retirement in the next two years. The question is "what does this mean for the future of our credit unions?" Succession planning is just the start of preparing for a change in key personnel. Unlike other policies, a succession plan should be a living document. This plan should be refreshed as

necessary depending on strategic changes or market conditions that affect the credit union. This can be as simple as a five step process:

- ◆ Identify critical positions,
- ◆ Identify competencies,
- ◆ Identify succession management strategies,
- ◆ Document and implement succession plans and
- ◆ Monitor or evaluate the effectiveness of the plan.

Citing lack of a suitable candidate to serve as the manager or identifiable board members, credit unions have decided to merge. It's never too early to recognize a potential candidate to lead the future of your credit union, or recruit qualified volunteers; good luck and happy planning.

#### Credit Unions Located in Homes

On December 24, 2013, the NCUA Board proposed to adopt regulations to require examinations and other contacts between NCUA staff and officials of a federal credit union occur in business offices or other public locations which does not include a private residence. While the proposed regulations does not affect state chartered credit unions, there are five Kansas credit unions located in homes that could be affected if the regulation is extended to federally insured state chartered credit unions. Comments are now being accepted by NCUA on the proposed regulations. Consider submitting your comments to NCUA.

#### CFPB's Ability-to-Repay and Qualified Mortgage Rule

NCUA issued S L 14-01 about the new Ability-to-Repay and Qualified Mortgage Rule issued by the Consumer Financial Protection Bureau (CFPB). The rule requires mortgage lenders to consider a consumer's ability to repay a home loan before extending credit to them. The rule establishes standards for Qualified Mortgages (QMs) that meet the ability-to-repay requirements and provides a safe harbor for lenders that originate QMs. **The rule applies to new mortgage loans made on or after January 10, 2014.**

Credit unions who make home mortgages should become familiar with the new rule.

#### Final Emergency Liquidity Rule Effective March 31, 2014

NCUA's rule requiring all federally insured credit unions (FICUs) to have liquidity plans to respond to adverse circumstances became effective March 31. FICUs with assets of \$50 million or more must have a contingency funding plan that clearly sets out strategies for addressing liquidity shortfalls in emergency situations. The contingency funding plan must be commensurate with the credit union's complexity, risk profile and scope of operations. Information about the new rule can be found at [ncua.gov](http://ncua.gov).

These are a few of the challenges facing credit unions in 2014. **KDCU financial examiners can help credit unions, just ask!**

### KDCU Personnel Changes

Carol Knolla began employment with KDCU on March 3. Carol will be examining credit unions in the western region replacing Jesse Pounds who resigned.

Financial Examiner Michelle Andrew will be examining credit unions in the eastern region. Michelle has transitioned from the review examiner position in the office to the field examiner position.

Emily Artzer transferred from the Department of Revenue to KDCU on February 3. Emily is the review examiner in the office.

### 2014 Credit Union Council Vacancies

Two vacancies on the Credit Union Council occurred March 15, 2014. John Beverlin, Mainstreet Credit Union has served one term and is not seeking reappointment.

Sue Henke, Topeka, Kansas, has served to two consecutive terms

representing the public and is ineligible for reappointment.

Credit unions are encouraged to submit names of credit union officials or volunteers to the KDCU office or the Governor's office for consideration of appointment.

### March 31, 2014 Call Report Cycle

Call report materials will be mailed to credit unions on March 31, 2014. The deadline for credit unions to have their call reports completed and certified on Credit Union Online is Friday, April 25,

**Credit unions are reminded that NCUA and KDCU can issue fines to credit unions who file call reports late.**

### Filing Tax Returns

Credit unions are to file IRS Form 990 by May 15, 2014 or request an

extension of the filing date. Credit unions with unrelated business income are also required to file IRS Form 990T and the Kansas Department of Revenue Form K120.

The members of the board of directors should review the completed forms to ensure they know what is being reported and its accuracy. Form 990 specifically asks if the organization provides a copy of the form to all members of the governing body before filing. Web sites such as Foundation Center <http://foundationcenter.org/findfunders/990finder/> publish 990s on their website.

Tax questions are best referred to licensed public accountants.

### Parsons Pittsburg Credit Union Closes, Shares Assumed by Golden Plains Credit Union

On March 21, 2014 the KDCU Administrator liquidated Parsons Pittsburg Credit Union (PPCU) and named NCUA as liquidating agent. Golden Plains Credit Union immediately assumed PPCU's members assets, shares and loans.

The Administrator made the decision to liquidate PPCU and discontinue its operations after determining the credit union was insolvent and had no prospect for restoring viable operations on its own.

### Bulletins Issued

Since the last newsletter two bulletins and one Newsletter were published. KDCU bulletins and newsletters are e-mailed to credit unions and are on the KDCU web site at [www.kansas.gov/kdcu/](http://www.kansas.gov/kdcu/).

## CREDIT UNION COUNCIL MEETS

The Credit Union Advisory Council met on March 6, 2014 by telephone conference call and in person at the KDCU Office. Council members attending were John Beverlin, Chair, Dan Springer, Vice Chair, Deann Shinkle, Secretary, Larry Damm, Rita Hartman, and Jacque Cully. KDCU staff present were John P. Smith, Administrator and Michael Baugh, Financial Examiner Administrator. Guests: Haley DaVee, Kansas Credit Union Association and Larry Eisenhower, Kansas Corporate Credit Union.

The Council received and discussed several reports:

- ♦ Administrator's Report,
- ♦ KDCU financial reports,
- ♦ Kansas credit union condition,
- ♦ New low-income designated credit unions,
- ♦ Change in credit union bylaws, articles of incorporation, credit union mergers, administrative actions, number of credit unions on monthly reporting, frequency of examinations, proposed new credit union charters, and new branches approved.

Haley DaVee summarized legislation of interest to credit unions. The KCUA Annual

Meeting will be in Wichita April 10—12.

Larry Eisenhower described the recent seasonal asset trends of KCCU. Their Annual Meeting will be May 15—16 in Kansas City, MO.

The next meeting of the Credit Union Advisory Council will be held Thursday, June 12 at 10 a.m. in the KDCU Topeka office conference room.

Council meetings are public meetings open to credit unions and the public. Meeting notices and agendas are on the KDCU web site at [www.kansas.gov/kdcu/](http://www.kansas.gov/kdcu/). Credit unions are encouraged to attend.

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